



State Board of Equalization

News Release

Chairwoman Betty T. Yee

1st District – San Francisco

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YEE URGES CALIFORNIANS TO REPORT INTERNET PURCHASES

The State asks tax preparers to help clients report use tax

With a month left before the year's biggest tax deadline, Board of Equalization Chairwoman Betty T. Yee today reminded California consumers to report and pay use tax on internet and out-of-state purchases.

Sales tax applies to most in-state purchases, but the "use tax" generally applies to sales made outside the state or online when sales tax isn't applied. Individuals can report and pay use tax on their California income tax returns, which are due April 17 this year.

"It's a new concept to many," said Chairwoman Yee, "that you would owe California tax on something you shipped across the country. But everyone should understand how it affects their taxes."

The use tax was established in 1935 to protect California retailers from untaxed out-of-state or mail-order competition. Today most of that competition comes in the form of out-of-state internet sales. According to BOE estimates, over \$1 billion in use tax from internet sales goes unreported each year. One-third of all sales and use tax billings include liabilities from out-of-state purchases.

The BOE recently contacted 53,000 Certified Public Accountants, Enrolled Agents and other tax preparers asking them to discuss use tax liabilities with their clients. Last year, 13 percent of all income tax returns declaring use tax were professionally prepared. Consumers can also report their use tax directly to the BOE.

Chairwoman Betty T. Yee was elected to her post in November 2006. Her district includes many of California's coastal counties, from Del Norte to Santa Barbara, and includes the entire San Francisco Bay Area.

The five-member Board of Equalization is a publicly elected tax board. The Board collects nearly \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

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Related links:

- [California Individual Income Tax Return](#)
- [California Use Tax Return \(BOE\)](#)
- [Letter to Tax Preparers](#)
- [Use Tax Q&A](#)